

9--285A025



September 29, 1989

Itel Rail Corporation

55 Francisco Street
San Francisco, California 94133
(415) 984-4000
(415) 781-1035 Fax

RECORDATION NO. 16461 FILED 1625

OCT 12 1989 - 12 05 PM

INTERSTATE COMMERCE COMMISSION

Hon. Noreta R. McGee
Secretary
Interstate Commerce Commission
Washington, DC 20423

Re: Schedule No. 2 to Master Lease dated as of July 14, 1989,
between Itel Rail Corporation and SouthRail Corporation

Dear Ms. McGee:

On behalf of Itel Rail Corporation, the above instrument, in three (3) counterparts, is hereby submitted for filing and recording pursuant to 49 U.S.C. section 11303(a), along with the \$15 recordation fee.

Please record this Schedule under the Master Lease dated as of July 14, 1989, between Itel Rail Corporation and SouthRail Corporation, which was filed with the ICC on August 2, 1989, under Recordation No. 16461.

The parties to the aforementioned instrument are listed below:

Itel Rail Corporation (Lessor)
55 Francisco Street
San Francisco, California 94133

SouthRail Corporation (Lessee)
605 Second Avenue
Columbus, Mississippi 39701

This Schedule adds to the Master Lease fifty (50) 50', 77-ton, LP pulpwood flatcars bearing reporting marks GMSR 800-197629 (n.s.).

Please return to the undersigned the stamped counterparts not required for filing purposes, together with the ICC fee receipt and acknowledgment letter.

Very truly yours,

A handwritten signature in cursive script that reads "patricia schumacker".

Patricia Schumacker
Legal Assistant

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SCHEDULE NO. 2

INTERSTATE COMMERCE COMMISSION

THIS SCHEDULE NO. 2 ("Schedule") to that certain Master Lease Agreement made as of July 14, 1989 (the "Agreement") between ITEL RAIL CORPORATION, as lessor ("Lessor"), and SOUTHRAIL CORPORATION, as lessee ("Lessee"), is made this 27th day of September, 1989 between Lessor and Lessee.

Lessor and Lessee agree as follows:

1. All capitalized terms defined in the Agreement shall have the meanings defined therein when used in this Schedule No. 2, except that the term "Cars" as used herein shall only refer to the equipment described in this Schedule unless otherwise indicated.
2. Lessor hereby leases the following Cars to Lessee subject to the terms and conditions of the Agreement and this Schedule:

AAR Mech Desig.	Description	Numbers	Length	Dimensions		Doors Width	No. of Cars
				Inside Width	Height		
LP	77-Ton Pulpwood Flatcars	GMSR 800, 801,803, 805-807, 809,810, 812-814, 817-820, 822,823, 825, 829-832, 834-838, 197601, 197602-197607, 197609-197610, 197612-197619, 197621-197623, 197626,197628, 197629	50'0"	9'4"	----	----	50

3. Lessor shall, at Lessee's expense, deliver each Car to an interchange point on the railroad lines of Lessee ("Delivery"). The term of the Agreement with respect to each Car described in this Schedule shall commence on the date of Delivery and shall continue as to all of the Cars described in this Schedule for three (3) years from the earlier of (i) the date on which the last Car described in this Schedule was delivered or (ii) sixty (60) days from the date the first Car described in this Schedule was delivered (the "Initial Term"). Upon the Delivery of the final Car, Lessor shall notify Lessee in writing of the expiration date of the Initial Term. Unless Lessee, within fifteen (15) days of the date of such notice, demonstrates to the satisfaction of Lessor that such date is incorrect, then Lessee shall be deemed to have concurred to such date.

4. The Fixed Rent, as provided in Subsection 8.A. hereinbelow, shall become effective on the fourteenth (14th) day after the date of Delivery (as defined in Section 3 hereinabove) with respect to each Car described in this Schedule.
5.
 - A. Lessor shall be responsible for the registration of the Cars in the Official Railway Equipment Register and UMLER, as provided in Subsection 4.A.(ii) of the Agreement, ("Registration"). Lessee shall provide Lessor with the UMLER passkey necessary for such Registration.
 - B. Except as provided in Subsection 5.A. hereinabove, Lessee shall perform the record keeping required for the Cars described in this Schedule, as described in Section 4 of the Agreement.
6. Lessee shall perform or cause to be performed and shall pay all costs and expenses associated with the maintenance of the Cars described in this Schedule. Subsection 5.B. of the Agreement shall not apply with respect to such Cars.
7. Lessor agrees to reimburse Lessee, within thirty (30) days of Lessor's receipt of the receipted copy of the paid tax bill, for all taxes actually paid in cash by Lessee resulting from: 1) ad valorem tax assessments on the Cars; and 2) any assessment, levy or impost relating to any Car, the Agreement, or the delivery of the Cars, which remained unpaid as of the date of the delivery of the Cars to Lessee or which is assessed, levied or imposed during the term of the Agreement, except taxes on income or gross receipts imposed on Lessee or sales or use tax imposed on mileage charges, car hire revenue, or the proceeds of the sale or lease of the Cars. Lessor and Lessee will comply with all state and local laws requiring filing of ad valorem returns associated with the Cars. Notwithstanding any portion of this Section, Lessor shall not be responsible for penalty or interest assessments resulting from Lessee's failure to comply with any regulation or statute of any taxing or assessing authority. Lessee shall forward to Lessor upon receipt all correspondence, notifications of proposed tax assessments and tax bills associated with any tax reimbursable by Lessor. Lessor may, in good faith and by appropriate proceedings, contest any assessment, notification of assessment or tax bill. Lessor shall assume full responsibility for all expenses, including legal fees, resulting from such contest.
8.
 - A. The fixed rent ("Fixed Rent") shall be
per Car per month for each full calendar month ("Month") during the Initial Term or any extended term. The Fixed Rent for any Car which is not subject to the Agreement for an entire Month shall be prorated at
per day for such Car during such Month. The Fixed Rent shall be due and payable regardless of any claimed abatement, reduction or offset, except as otherwise provided herein.
 - B. Lessee shall pay to Lessor the Fixed Rent on the first day of each month during the Initial Term and any extended term.
9.
 - A. Lessee agrees to defend, indemnify and hold Lessor harmless from any and all claims, liabilities, losses, damages, costs and expenses

(including attorneys' fees) caused by, arising out of, or in connection with the Cars, including the use, possession, operation, maintenance and leasing of the Cars (collectively, "Damages"), except for any Damages which arise solely from Lessor's negligence.

- B. Lessor agrees to indemnify and hold Lessee harmless from any Damages which arise solely from Lessor's negligence.
- C. The indemnities and assumptions of liability contained in this Agreement shall survive the expiration or termination of the Agreement.
10. Upon the expiration or termination of the Agreement with respect to the Car(s) described in this Schedule, if some or all of the Cars are to be delivered to Lessor at Lessee's railroad tracks, Lessee shall be responsible for any transportation costs incurred in moving such Cars to said tracks subsequent to the time of expiration of this Agreement as to the Cars. Lessee shall, at Lessor's option, provide up to one hundred twenty (120) days' free storage on its railroad tracks for any Car which is either on Lessee's railroad tracks at expiration or is subsequently returned to Lessee's railroad tracks. Said one hundred twenty (120) days shall run either from expiration or from the date such Car is returned to Lessee's railroad line subsequent to expiration, whichever date is later. If requested to do so by Lessor, Lessee shall, at Lessor's option, either move a remarked Car to an interchange point on Lessee's lines selected by Lessor or use its best efforts to load the remarked Car with freight and deliver it to a connecting carrier for shipment.
11. Except as expressly modified by this or any other Schedule, all terms and provisions of the Agreement shall remain in full force and effect with respect to all Cars subject to the Agreement.
12. This Schedule may be executed by the parties hereto in any number of counterparts, and all counterparts taken together shall be deemed to constitute one instrument.

ITEL RAIL CORPORATION

By: Robert K. Kell

Title: Vice President + Treasurer

Date: September 27, 1989

SOUTHRAIL CORPORATION

By: H. J. Schum

Title: V.P. + C.T.O.

Date: 9/25/89

EXHIBIT A

CERTIFICATE OF DELIVERY DATE

Exhibit A to Schedule No. 2 dated as of _____ to Lease Agreement dated as of July 14, 1989, by and between ITEL RAIL CORPORATION ("Lessor") and SOUTHRAIL CORPORATION ("Lessee").

CAR REPORTING
MARKS AND NUMBER

DELIVERY DATE

The last day of the Initial Term for the above referenced Cars shall be

_____.

ITEL RAIL CORPORATION

By: _____

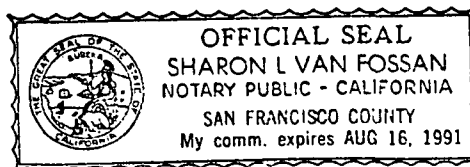
Title: _____

Date: _____

STATE OF CALIFORNIA)
) ss:
COUNTY OF SAN FRANCISCO)

On this 27th day of September, 1989, before me personally appeared Robert Kiehmle, to me personally known, who being by me duly sworn says that such person is Vice President & Treasurer of Itel Rail Corporation, that the foregoing Schedule No. 2 was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Sharon L. Van Fossan
Notary Public



STATE OF MISSISSIPPI)
) ss:
COUNTY OF HINDS)

On this 25th day of September, 1989, before me personally appeared H I Salmons, to me personally known, who being by me duly sworn says that such person is VP & CTO of SouthRail Corporation, that the foregoing Schedule No. 2 was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Donna R May
Notary Public
My Commission Expires May 9, 1992